

Message Text

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PAGE 01 BRUSSE 12454 232000Z
ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 /126 W

-----031939 241033Z /23

R 231802Z JUN 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 7478
INFO ALL EC CAPITALS
USMISSION GENEVA

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USEEC

PARIS ALSO FOR USOECD

GENEVA ALSO FOR MTN

E.O. 11652: N/A
TAGS: EEC, ETRD,, EIND, EGEN
SUBJECT: SYNTHETIC FIBERS CARTEL

REF: (A) BRUSSELS 3521; (B) BRUSSELS 10439,
(C) BRUSSELS 9920

1. ACCORDING TO COMMISSION OFFICIALS AND PRESS SOURCES
EC COMMISSIONER DAVIGNON MET JUNE 19-20 WITH REPRESENTA-
TIVES OF THE SYNTHETIC FIBERS INDUSTRY TO DISCUSS THE
CARTEL WHICH THE LATTER HAVE JUST ESTABLISHED.

2. THE AGREEMENT WAS SIGNED IN THE PRESENCE OF DAVIGNON
ON JUNE 20 BY 11 MAJOR SYNTHETIC FIBER PRODUCERS IN THE
EC. REPORTEDLY, EUROPEAN SUBSIDIARIES OF US FIRMS DID NOT
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SIGN ON GROUNDS THAT IT WOULD VIOLATE US ANTITRUST RULES.

3. THE CARTEL AGREEMENT CALLS FOR ALL NON-ITALIAN PRO-
DUCERS WHO ARE SIGNATORIES TO REFRAIN FROM CREATING NEW
CAPACITY UNTIL 1981 WHILE CUTTING EXISTING CAPACITY BY
15 PERCENT FROM THE CURRENT LEVEL OF 2.7 MILLION TONS.
ITALIAN PRODUCERS WILL REDUCE THEIR PRESENT 600,000-TON

CAPACITY BY 85,000 TONS TEMPORARILY WHILE RETAINING THE POSSIBILITY OF GOING BACK UP TO 600,000 TONS BY 1981. MOREOVER THE ITALIAN INDUSTRY WILL BE ALLOWED TO FILL 35 PERCENT OF ANY INCREASED DEMAND.

4. THE AGREEMENT, WHICH HAS DAVIGNON'S INFORMAL BLESSING ON CONDITION THAT IT NOT VIOLATE EC COMPETITION RULES, MUST NOW BE COMMUNICATED TO THE COMPETITION DIRECTORATE GENERAL FOR ITS REVIEW AND APPROVAL.

5. IT IS LIKELY THAT THE APPROVAL PROCESS WILL TAKE SOME TIME. RAYMOND VOUEL, COMMISSIONER RESPONSIBLE FOR COMPETITION MATTERS HAS ALREADY SAID THAT HE DID NOT BELIEVE THE CARTEL WOULD QUALIFY FOR EXEMPTION TO THE ROME TREATY ANTITRUST RULES ARTICLE 85 (3) BECAUSE SUCH EXEMPTIONS CAN ONLY BE GRANTED IF THE ARRANGEMENT IS NOT PREJUDICIAL TO CONSUMER INTERESTS AND DOES NOT ELIMINATE COMPETITION FOR A SUBSTANTIAL PART OF THE TRADE IN THE PRODUCT IN QUESTION.

6. VOUEL HAS THEREFORE BEEN SEEKING COMMISSION APPROVAL FOR A FRAMEWORK REGULATION UNDER ARTICLE 87 FOR CRISIS CARTELS LAYING DOWN CONDITIONS FOR THEIR ACCEPTABILITY (REF C). THE LAST THREE MEETINGS OF THE COMMISSION HAVE TOUCHED ON THIS ISSUE WITHOUT A FINAL CONSENSUS EMERGING BUT A DECISION MAY COME AT THE JUNE 28 MEETING OF THE COM-

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MISSION. WHEN AND IF THE THE COMMISSION APPROVES IT, THIS PROPOSAL WOULD THEN NEED TO BE APPROVED BY THE COUNCIL, WHERE OPPOSITION IS EXPECTED FROM THE FRG AND DENMARK. HINTON

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